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TELEGRAM

July 13, 2004

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From: AMEMBASSY ABU DHABI (ABU DHABI 2343 - PRIORITY)
TAGS: EINV, ECON, KSPR, KPRP
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Subject: UAE: JULY 2004 APPENDIX TO 2003 INVESTMENT CLIMATE
STATEMENT
Ref: None

UNCLAS ABU DHABI 02343

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CXABU:
ACTION: ECON
INFO: POL P/M AMB DCM
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INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: CDA: RALBRIGHT
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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC PRIORITY 5097
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUCPDOE/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPCIM/CIMS NTDB WASHINGTON DC

UNCLAS SECTION 01 OF 03 ABU DHABI 002343

SIPDIS

SENSITIVE

STATE FOR EB/IFD/OIA
STATE PASS TO USTR AND OPIC
USDOC FOR 4520/ITA/MAC/ONE/GUGLIELMI

E.O. 12958: N/A
TAGS: [EINV](#) [ECON](#) [KSPR](#) [KTBD](#) [KPRP](#) [OPIC](#) [TC](#)
SUBJECT: UAE: JULY 2004 APPENDIX TO 2003 INVESTMENT CLIMATE
STATEMENT

REF: ABU DHABI 03164

1. (U) This appendix serves as an update to the 2003 Investment Climate Statement for the United Arab Emirates (UAE). It has been provided to assist investors in the interim period resulting from the U.S. Government's decision to begin publishing the Country Commercial Guide (of which

the Investment Climate Statement is a chapter) on a calendar year basis, in January instead of August.

12. (U) The United States Government has reviewed the 2003 Investment Climate Statement for the UAE, and has noted the following changes that have occurred since its publication. In most circumstances, if a portion of the 2003 Investment Climate Statement has not been modified in this appendix, it is because the U.S. Government is satisfied that it continues to accurately reflect the state of affairs in the UAE as of July 2004.

13.a.1. Openness To Foreign Investment

13. (U) Up until recently, only Emiratis and other GCC nationals were permitted to own land in the UAE, while foreigners, who comprise 80-85% of the population, had been restricted to renting. In May 2002, the Emirate of Dubai announced that it would permit so-called "freehold" real estate ownership for non-GCC nationals by giving permission to three companies to develop and sell freehold properties on government-designated pieces of land. However, because specific laws regarding freehold ownership remain to be codified and procedures for title documentation and conveyance remain to be established, potential buyers are unsure whether they will have an absolute freehold title that means the same as it does in Europe or the U.S.

14. (U) Perhaps the most important impediment to freeholds is that owners cannot register titles with the Dubai Lands Department, a step that allows owners access to the full range of legal protections and transactions that property ownership requires. If a national and foreigner try to register a change of land title, the Land Department normally turns them away. Inheritance laws present another area of concern to freehold buyers, and current legislation appears ambiguous. Freeholds are so new that there are no court precedents yet. Some people are reportedly avoiding this legal ambiguity by purchasing homes through an offshore shell company. Nevertheless, the Dubai Government has promised to resolve these problems and ambiguities in a new land law. So far Dubai is the only emirate attempting large-scale property sales to foreigners, though Ajman and Ras As Khaimah reportedly are considering similar schemes.

15. (U) The UAE has opened the telecommunications market to foreign investment by enacting legislation to end the monopoly of Etisalat (the official UAE telecommunications company) and open the market to the private sector and foreign investment. However, it is unlikely that licenses will be granted to 100% foreign owned companies to operate telecommunications services in the UAE through LAN or GSM services.

13.a.2. Conversion And Transfer Policies

16. (U) No significant changes since 2003.

13.a.3. Expropriation And Compensation

17. (U) No significant changes since 2003.

13.a.4. Dispute Settlement

18. (U) No significant changes since 2003.

13.a.5. Performance Requirements/Incentives

19. (U) No significant changes since 2003.

13.a.6. Right To Private Ownership And Establishment

¶10. (U) No significant changes since 2003.

13.a.7. Protection Of Property Rights -----

¶11. (U) Foreign and national banks have increased their activity in the mortgage market, expanding their services to foreigners as well as nationals due to the recent boom in freehold property. Foreign banks have entered the market on a smaller scale; the local MashreqBank and Dubai Islamic Bank are most heavily involved in new mortgage business, with banks such as Standard Chartered and HSBC providing mortgages on a case-by-case basis to established customers.

¶12. (U) The UAE Government continues to lead the region in protecting intellectual property rights (IPR). Anecdotal and statistical evidence confirms that the UAEG is enforcing copyright, trademark, and patent laws passed in 2002 to protect U.S. intellectual property, and continues to demonstrate its commitment to the 2002 agreement providing TRIPS-plus levels of protection to U.S. pharmaceuticals.

¶13. (U) In 2003, the UAEG sought to amend and expand the scope of landmark copyright, trademark and patent laws issued in 2002. Most notably, in 2004, the UAE Ministry of Information issued regulations under the 2002 Copyright Law allowing for specialized collecting societies. These societies are a practical way for sound recording companies to collect royalties on the broadcast and performance of copyrighted material. The UAEG also is considering legislation for data protection, privacy, and other IP-related issues.

13.a.8. Transparency Of The Regulatory System -----

¶14. (U) No significant changes since 2003.

13.a.9. Efficient Capital Markets And Portfolio Investment -----

¶15. (U) No significant changes since 2003.

13.a.10. Political Violence -----

¶16. (U) No significant changes since 2003.

13.a.11. Corruption -----

¶17. (U) No significant changes since 2003.

13.a.11.b. Bilateral Investment Agreements -----

¶18. (SBU) On March 15th, the United States signed a Trade and Investment Framework Agreement (TIFA) with the United Arab Emirates to provide a formal framework for dialogue on economic reform and trade liberalization. TIFAs promote the establishment of legal protections for investors, improvements in intellectual property right protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. Through this process, the United States Government (USG) can identify potential partners for further trade cooperation, such as free trade agreements (FTA). In consultation with Congress, the USG is pursuing a series of FTAs with Middle Eastern countries to build on those already concluded with Israel, Jordan, Morocco, and Bahrain, collectively referred to as President Bush's Middle East Free Trade Initiative (MEFTA). The FTAs are designed to expand bilateral trade through commitments to high standards and comprehensive trade liberalization. With the TIFA signing, the UAE joins a long list of Middle Eastern trading partners that are in close and active consultations with the USG, and have a

strong interest in concluding a FTA with the United States.

¶19. (SBU) A key element of the TIFA agreement is the establishment of a U.S.-UAE TIFA Council, which will meet on a regular basis and provide an opportunity for the U.S. and the UAE to learn more about each other's trade and economic policies. It also provides a forum for discussions of ways to increase bilateral trade and bolster the UAE's current economic reform efforts. The first U.S.-UAE TIFA Council met April 26, 2004 in Washington, during which both sides asked detailed questions about each other's IPR levels of protection, standards, market access, customs valuation, government procurement, services and investment, labor, and environment.

13.a.11.c. OPIC And Other Investment Insurance Programs

¶20. (U) No significant changes since 2003.

13.a.11.d. Labor

¶21. (U) The UAE Government has committed itself to strictly regulating and enforcing labor laws, as witnessed by a recent series of legislation and proposals. In June 2004, the UAE's Cabinet of Ministers approved a memo calling for the establishment of labor unions and associations in the UAE. The UAEG instructed a ministerial committee to draft a federal law creating unions; the committee will then have six months to submit the draft law for approval. This new Labor Law will allow for the creation of labor unions to ensure laborers' rights to organize and bargain collectively. Unlike the current Labor Law, which only covers private sector employees, the new federal law covering unions will include employees from both the public and private sectors. The exact role unions will play and membership conditions remain unclear. Under the new law, trade unions would be limited to UAE citizens, while expatriate workers would be represented through special committees.

¶22. (U) Starting October 1, 2004, the UAE Ministry of Labor will also require employers to submit job offers stating the salary and job title of their prospective employees at the same time employers submit visa applications. The current practice is for employers to provide employment details on the visa applications only. This mandate is intended to make employers more accountable when applying for work visas on behalf of their employees and aims to protect the rights of workers, who are sometimes misled by their employers.

13.a.11.e. Foreign Trade Zones/Free Ports

¶23. (U) No significant changes since 2003.

13.a.11.f. Foreign Direct Investment Statistics:

¶24. (U) Statistics will be updated in the next full revision of the Investment Climate Statement, which will be published in January 2005.

ALBRIGHT